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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of Section 76.51 of the Commission's Rules to Include Concord, California, in the San Francisco-Oakland-San Jose, California, Television Market	)	MM Docket No. 93-232

Directed to: Chief, Mass Media Bureau

COMMENTS OF VIACOM INTERNATIONAL INC.

Viacom International Inc. ("Viacom"), by its attorneys, hereby submits its Comments with respect to the FCC's Notice of Proposed Rule Making ("NPRM")[1] in the above-captioned proceeding. In the NPRM, the FCC proposes to amend Section 76.51 of its Rules to add Concord, California as a designated community to the San Francisco-Oakland-San Jose television market, as requested in the Petition for Rule Making filed by First Century Broadcasting, Inc. ("First Century"), licensee of station KFCB-TV, Concord. Because Viacom operates through various subsidiaries a number of cable television systems inside the San Francisco-Oakland-San Jose ADI, its must-carry obligations to KFCB-TV (and possibly to other stations in the ADI) will be affected by whether or not the FCC adds Concord to the San Francisco-Oakland-San Jose hyphenated market. Accordingly, Viacom has a direct and substantial interest in the FCC's disposition of the NPRM.

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1 DA 93-991 (released August 19, 1993).

FACTUAL BACKGROUND

KFCB-TV is one of two stations in the San Francisco-Oakland-San Jose ADI affiliated with the United Christian Broadcasting Network ("UCB"). The other UCB affiliate in the market is KLXV-TV, San Jose, which is licensed to Friendly Bible Church ("Bible Church"). To Viacom's knowledge, KFCB-TV and KLXV-TV are the only two UCB affiliates in the United States.[2]

First Century has described KFCB-TV's relationship to UCB as follows:

> As reported to the Commission November 13, 1990, KFCB and KLXV-TV, San Jose, California formed [UCB] whereby most of the programming for the two stations is now network programming. Under separate network affiliation agreements various fund-raising, accounting, management and broadcast services are furnished by the network through UCB personnel, many of whom were former KFCB employees.

See KFCB-TV's "Response to Reporting Requirements" at 1, n.1 (filed March 31, 1992) with respect to Memorandum Opinion and Order and Notices of Apparent Liability, FCC 91-134 (released May 3, 1991). In fact, as shown below, FCC records reflect that First Century

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[2] For this reason, UCB does not qualify as a "network" under the FCC's must-carry rules. See 47 C.F.R. § 76.55(f) (defining "network" as an entity that offers programming on a regular basis for 15 or more hours per week to at least 25 affiliates in 10 or more states). Hence, absent special relief, Viacom cannot deny carriage to either station under the rule limiting carriage of multiple network affiliates. See 47 C.F.R. § 76.56(b)(5). Further, as discussed below, it may well be that one or both of KFCB-TV and KLXV-TV have rearranged their substantially identical programming schedules to avoid qualifying as "duplicative" stations under the FCC's must-carry rules. Id. (defining "substantially duplicates" as simultaneous broadcast of identical programming for more than 50% of the broadcast week).

appears to have turned over virtually all of KFCB-TV's operations over to UCB.

In the Agreement Establishing the United Christian Broadcasting Network filed with the FCC by First Century and Bible Church on November 13, 1990 (the "Network Agreement"), both entities stated that they wished to "utilize their respective and collective resources to establish a network for jointly programming, managing and eventually owning and operating broadcasting stations under the name United Christian Broadcasting." See Exhibit 1 at 2. The Agreement established First Century's parent company, First Century Communications ("First Communications"), and Bible Church as the only two members of the network, and gave First Communications and Bible Church three seats each on the network's Board of Directors. Id. at 3. First Communications selected three officers/directors of First Century to serve on the network's Board: Ronald C. Haus (President/Director), Theodore Terry (Vice-President/Director) and Eugene Viglione (Secretary/Treasurer/Director). Id.; see also Exhibit 2 (1992 Ownership Report for First Century). In addition, the Agreement required First Century to transfer all of its assets (save for KFCB-TV's transmitter site lease and FCC license) to UCB, and, along with Bible Church, enter into a management agreement with The Religious Channel, Inc. ("TRC") (apparently the predecessor entity to UBC), which would manage KFCB-TV and KLXV-TV. See Exhibit 1 at 5, 7.[3]

The services which UCB provides for KFCB-TV and KLXV-TV are set forth in paragraph 6 of each station's respective Network Affiliation Agreements. See Exhibit 3. Those services are generally referred to as "contribution receipting, accounting, engineering, production, traffic and broadcasting services." Under paragraph 6.2, UCB provides personnel for performance of these services, who are included in KFCB-TV's and KLXV-TV's employment reports to the extent that they are based at each station's facilities. Under Section 5.2, UCB may make its network programming available for most or all of a typical programming day. "Network Programs" are defined under Section 1.1.1 to include programs, promotional material, commercials and public service announcements produced or made available by UCB. Under Section 5.2, neither KFCB-TV nor KLXV-TV may interrupt or preempt UCB's prime time network programming.

UCB also controls procedures for solicitation of and accounting for donor contributions, which as discussed below are the primary source of revenue for KFCB-TV and KLXV-TV. Specifically, UCB provides to each station's donor a receipt for tax deductible contributions (Section 6.5). The network affiliation agreement also provides that, in addition to individual solicitations by various programmers included within Network

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[3] The Network Agreement in fact reflects that The Religious Channel, Inc. was already managing and operating KLXV-TV pursuant to an agreement with Bible Church. See Exhibit 1 at 2.

Programs, there shall also be periodic solicitations for contributions to the network and occasional network telethons (Section 6.6). Each station is required to direct all donors to send their contributions to UCB, and must remit all received contributions to UCB for accounting and donor receipt procedures (Section 6.6.4). All contributions received by UCB are allocated among the stations and UCB in accordance with a formula specified in Section 6.6, with the majority of the funds credited to UCB.

As set forth in the Declaration of George Franciscovich attached hereto as Exhibit 4, Viacom analyzed the programming schedules of KFCB-TV and KLXV-TV during the period between May 16 and May 22, 1993, for purposes of determining whether the stations were "substantially duplicative" under the FCC's must-carry rules. The stations' program schedules for that period reflected that with very few exceptions the stations ran the same programming, suggesting that the vast majority of each station's programming consists of a network feed from UCB. See Exhibit 4, Appendix A. Further, in a letter to Viacom dated July 12, 1993, KLXV-TV represented that 73.97% of its weekend programming qualifies as "substantially duplicative" of KFCB-TV's programming under the FCC's must-carry rules. Id., Appendix B. It may well be that one or both of KFCB-TV and KLXV-TV have time-shifted their programming to avoid qualifying as "substantially duplicative" stations for purposes of must-carry. Exhibit 4 at 2. Mr. Franciscovich has also observed that during KFCB-TV's over-the-air solicitations for contributions, the call signs and telephone numbers of both KFCB-TV and KLXV-TV are superimposed on the screen, and that KFCB-TV appears to run little commercial advertising. Id.

In sum, assuming that all relevant transactions associated with the Network Agreement have been consummated, UCB owns virtually all of the assets of KFCB-TV; manages and operates the station; appears to provide a substantial portion of KFBC-TV's and KLXV-TV's programming; conducts each station's fund-raising activities; requires that all donated funds be forwarded to the network for allocation among UCB, KFCB-TV and KLXV-TV; and performs the necessary accounting functions associated with processing of donor contributions. In effect, KFCB-TV does not function as an independent "voice" which competes on a stand-alone basis with other stations in the San Francisco-Oakland-San Jose ADI; it in fact serves as a technical facility which UCB uses to provide a "second screen" in the San Francisco ADI for UCB's network programming and fund-raising activities.

ARGUMENT

In evaluating requests for hyphenation of a market the FCC focuses on a number of factors, including whether the petitioning party has demonstrated some benefit to the public from the proposed hyphenation. NPRM at para. 3. For the reasons stated below, Viacom submits that First Century's Petition does not satisfy this criterion.

First Century asserts that under the current hyphenation of the San Francisco market KFCB-TV is for copyright purposes a "distant" signal on certain San Francisco ADI cable systems, and is not entitled to mandatory carriage on those cable systems unless it agrees to indemnify the systems for the increased copyright liability attributable to carriage of KFCB-TV. Petition at 2-3. First Century further argues that rehyphenation of the market to include Concord would eliminate KFCB-TV's copyright problem and thus allow the station to compete with other market stations on a more equal footing. Id. at 4. Finally, First Century asserts that its proposed rehyphenation would enhance "the continued viability of an additional independent voice in the marketplace" and would thus benefit the public. Id. at 6.

As demonstrated above, however, in effect UCB competes through KFCB-TV (and KLXV-TV) for audience and revenues throughout the entire San Francisco ADI. The issue, then, is not whether the addition of Concord to the San Francisco hyphenated market is necessary to preserve KFCB-TV as an independent voice in the market; it is whether the policies supporting market hyphenation are furthered by facilitating mandatory cable carriage of a "second screen" of UCB network programming and fund-raising activities, perhaps to the exclusion of genuine "independent voices" in the market which do in fact independently compete for audience and revenues.

Viacom submits that Section 76.51 of the FCC's Rules was not intended to be used for this purpose. FCC precedent reflects that market re-hyphenations have been granted primarily to address competitive imbalances arising from the petitioning station's inability to acquire the same program exclusivity and cable carriage as other market stations. See, e.g., Report and Order, MM Docket No. 92-306, DA 93-579 (released May 19, 1993) (addition of Clermont, Florida to the Orlando, Florida hyphenated market). Neither of these types of competitive imbalances is present here. KFCB-TV does not compete in any significant way with other market stations for programming, since it appears to be programmed almost entirely by UCB. Further, since KFCB-TV functions essentially as a conduit for UCB's network programming and fund-raising activities, it is not cable carriage of KFCB-TV but cable carriage of the UCB network that is at issue. Since UCB already has one affiliate (KLXV-TV) that is licensed to a designated community in the San Francisco hyphenated market and thus has virtually the same must-carry rights which KFCB-TV seeks here, the addition of Concord to the San Francisco hyphenated market is unnecessary to accord UCB must-carry rights comparable to those of other San Francisco ADI stations, and thus will not result in any significant benefit to the public.[4]

Viacom also submits that a grant of First Century's Petition would be contrary to one of the fundamental objectives of must-carry, namely the provision of a diverse programming menu to subscribers. If successful, First Century's Petition will result

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[4] A grant of First Century's Petition would convert each of KFCB-TV and KLXV-TV into a "local" signal for copyright purposes on cable systems inside each of the entire Concord, San Francisco, Oakland and San Jose 35-mile zones. KLXV-TV, however, is already a "local" signal for copyright purposes inside each of the entire San Francisco, Oakland and San Jose 35-mile zones, and, since Concord is only 19 miles away from Oakland, is already a "local" signal in more than half of the Concord 35-mile zone.

in two donor-supported affiliates of the same religious network having essentially the same must-carry rights, even though by contract the network is primarily responsible for programming both stations and in fact schedules substantially the same programs on both stations, albeit at slightly different times so that the stations do not meet the FCC's definition of "substantial duplication." Mandatory carriage of KFCB-TV and KLXV-TV may ultimately require cable systems to drop cable programming services which would provide more program diversity to subscribers than would carriage of two UCB affiliates.[5] While there are some situations where the must-carry provisions of the 1992 Cable Act require this type of anomolous result, the FCC is under no obligation to, and should not, modify its list of markets in order to produce such a result.

CONCLUSION

The public will not recognize any appreciable benefit from the addition of Concord to the San Francisco hyphenated market. Because KFCB-TV functions essentially as a "second screen" in the San Francisco ADI for UCB's network programming and fund-raising activities, the addition of Concord to the San Francisco hyphenated market will not result in cable carriage of an additional independent broadcast "voice," particularly since UCB's other

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[5] Viacom acknowledges that carriage of KFCB-TV is not an issue for cable systems which have met their "one-third" quota of must-carry signals. However, carriage of KFCB-TV and possibly the deletion of popular cable programming services would be required once those systems expand their channel capacity and thus increase the number of channels which they must devote to must-carry signals.

affiliate, KLXV-TV, already has virtually the same must-carry rights which First Century seeks for KFCB-TV. Further, a grant of First Century's Petition may actually decrease the diversity of programming offered by cable systems to the extent that carriage of KFCB-TV results in displacement or non-carriage of cable programming services desired by subscribers. Accordingly, First Century's market hyphenation request should be denied.

WHEREFORE, for the reasons stated above, Viacom International Inc. requests that the FCC deny the Petition for Rule Making filed by First Century Broadcasting, Inc. insofar as it requests that the FCC amend Section 76.51 of its Rules to add Concord, California as a designated community to the San Francisco-Oakland-San Jose hyphenated market.

Respectfully submitted

VIACOM INTERNATIONAL INC.

George H. Shapiro (FDP)

/s/ George H. Shapiro
George H. Shapiro

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September 22, 1993

EXHIBIT 1

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Federal Communications Commission
Office of the Secretary

November 13, 1990

Ms. Donna R. Searcy, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

--HAND DELIVERED--

Re: Agreement Establishing the United Christian Broadcasting Network
First Century Broadcasting, Inc.
KFCB TV, Concord, California

Dear Ms. Searcy:

First Century Broadcasting, Inc. is the licensee of the above-referenced broadcast license. Licensee submits the enclosed agreement pursuant to FCC Rule 73.3613.

Please direct any questions to the undersigned.

Respectfully submitted,

FIRST CENTURY BROADCASTING, INC.

By: G R Grange II
George R. Grange II
Its Counsel

[rjb/C750.CntFiling]

cc: Ronn Haus (for public file)

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Federal Communications Commission
Office of the Secretary

AGREEMENT ESTABLISHING

THE

UNITED CHRISTIAN BROADCASTING NETWORK

THIS AGREEMENT is made and entered into as of August 15, 1990 by and among FRIENDLY BIBLE CHURCH (referred to herein as "Church"), a California nonprofit religious corporation operating under the name, "Cathedral of Faith, "THE RELIGIOUS CHANNEL, INC. (referred to herein as "Religious Channel" or "TRC"), a California nonprofit religious corporation, FIRST CENTURY COMMUNICATIONS (referred to herein as "Communications"), a California nonprofit religious corporation, and FIRST CENTURY BROADCASTING (referred to herein as "Broadcasting"), a California corporation.

WHEREAS:

A. Broadcasting owns and operates television channel KFCB 42 ("TV 42");

B. Broadcasting owns substantial assets, consisting of the FCC license to operate TV 42 and the real estate, broadcasting equipment and other property described in Schedule I attached hereto;

C. Broadcasting leases equipment and other property under the leases described in Schedule II attached hereto;

D. Broadcasting has outstanding obligations described in Schedule III attached hereto totaling approximately

$3,800,000.00, of which approximately $1,000,000.00 became due and payable on June 30, 1990;

E. Communications owns all of the outstanding shares of Broadcasting; the assets and liabilities of Communications are described in Schedule IV attached hereto;

F. Church owns the FCC license to operate television channel KLXV 65 ("TV 65");

G. Church is indebted to Pacific Western Bank in the approximate amount of $2,750,000.00 and to Donald Thomson in the amount of $30,000.00, such obligations having been incurred in connection with Church's acquisition of TV 65.

H. Religious Channel presently manages and operates TV 65 for Church pursuant to an agreement between Religious Channel and Church;

I. Religious Channel has assumed the obligation to discharge Church's above-mentioned obligations to Pacific Western Bank and Donald Thomson; the assets and liabilities of Religious Channel are described in Schedule V attached hereto; and

J. The parties to this Agreement wish to utilize their respective and collective resources to establish a network for jointly programming, managing and eventually owning and operating broadcasting stations under the name United Christian Broadcasting, which will initially consist of TV 42 and TV 65 (which stations will remain separately owned and controlled unless and until FCC approval is sought and obtained for joint ownership), all in accordance with the terms and conditions hereinafter set forth.

THEREFORE, THE PARTIES AGREE THAT:

1. Amendment of Religious Channel's Bylaws and Articles of Incorporation. Promptly following the execution of this Agreement, Religious Channel will amend its bylaws to provide that it will have only two members, namely, Communications and Church, that it will have exactly six directors and that each of its members shall be entitled to select three directors. From and after such amendment of Religious Channel's bylaws, Communications and Church will be the sole members of Religious Channel. Contemporaneous with the amendment of its bylaws, Religious Channel will amend its articles of incorporation to change its name to such name as shall be selected by its board of directors, and, thereafter, Religious Channel will be known by and will operate and conduct its business under that name.

2. Directors of Religious Channel.

a. Communications has selected Ronald C. Haus, Ted Terry and Gene Vigilione, and Church has selected Roy K. Foreman, Kurt Foreman and Allen Randolph to serve as directors of Religious Channel immediately following the above-described amendment of Religious Channel's bylaws.

b. If any person selected to serve as a director of TRC should be unable, for any reason, to assume such office, or after assuming such office, should become unable, for any reason, to continue in such office or if a member of TRC should, for any reason, determine to replace a person it has selected to serve as a director of TRC, the member having selected such person shall, as promptly as is practicable, select a replacement director and notify the secretary of TRC and the other member of TRC of such selection. Upon receipt of such notice by the secretary of TRC, such replacement director shall serve as director of the corporation in the place and stead of the director who has been replaced.

c. The board of directors of TRC will promptly (i) amend the bylaws of the corporation (or recommend to the members of the corporation such amendments as the directors of the corporation shall deem necessary or desirable) to make the bylaws compatible with this Agreement and its objectives, (ii) elect officers and fix their compensation and (iii) take such other action as may be necessary or appropriate to implement this Agreement as expeditiously as is practicable.

3. Officers of Religious Channel. The officers of TRC will be:

Chairman of the Board of Directors
- Roy K. Foreman;

President and Chief Executive
Officer - Ronald C. Haus;

Chief Financial Officer and
Chief Operating Officer - Kurt Foreman; and

Secretary - Ted Terry,

such officers to assume their respective offices immediately upon their election thereto by the board of directors.

4. <u>Transfer of Assets of Broadcasting and Communications</u>.

a. Contemporaneous with the funding by Pacific Western Bank of the borrowing referred to in subparagraph 6.a hereof, Broadcasting will transfer to TRC, in accordance with applicable law, all of Broadcasting's assets of every sort, real and personal, tangible and intangible, excluding, however, the FCC operating license for TV 42 and the lease for the TV 42 transmitter site, which shall remain the property of Broadcasting, subject to applicable provisions of this Agreement.

b. Contemporaneous with the funding by Pacific Western Bank of the borrowing referred to in subparagraph 6.a hereof, Communications will transfer to TRC, in accordance with applicable law, all of Communication's assets of every sort, real and personal, tangible and intangible, excluding, however, the outstanding shares of Broadcasting.

c. Assets of Broadcasting and Communications shall be transferred to TRC in the customary and usual fashion, with interests in real property being transferred by grant deed or assignment recorded in the county where the property is located; motor vehicles registered with the California Department of Motor Vehicles being transferred by endorsement and delivery of title certificates; other tangible personal property being transferred by bill of sale; licenses and accounts receiveable being transferred by assignment and other assets being transferred in such manner as may be recommended by counsel to TRC.

d. If it shall be feasible to do so in the sole determination of Broadcasting, the FCC license to operate TV 42 shall be transferred, as promptly as is practicable, from Broadcasting to Communications, the lease for the TV 42 transmitter site and the TV 42 management agreement, hereinafter described, shall be assigned to Communications and the business of Broadcasting shall be wound up and Broadcasting dissolved.

5. Assumption of Obligations of Broadcasting and Communications. Contemporaneous with the transfer to TRC of the assets of Broadcasting and Communications, TRC will, as between TRC, on the one part, and Broadcasting and Communications, on the other part, assume and become responsible for the discharge of all of the obligations of Broadcasting and Communications that are described in Schedules II, III and IV attached hereto.

6. Bank Borrowing and Payment of Obligations of Broadcasting. a. Religious Channel will immediately exert its best efforts to borrow from Pacific Western Bank, such funds as shall be necessary to discharge the obligations of Broadcasting numbered (1) through (34) in Schedule III attached hereto and shall use such borrowed funds to discharge such indebtedness in its entirety. If required by Pacific Western Bank as a condition of its providing the funds necessary to discharge such

obligations, Church will guarantee repayment of the funds borrowed by Religious Channel from Pacific Western Bank pursuant to the foregoing provision. If, within 20 days after this Agreement has been executed by all parties hereto, TRC shall not have secured such funds from Pacific Western Bank, this Agreement shall be null and void and of no force or effect whatsoever, and no party to this Agreement shall have any liability to any other party hereto by reason of this Agreement or the negotiations which resulted in this Agreement.

b. Broadcasting's indebtedness to American Bank and Trust Company (Schedule III, Item 35), secured by first deed of trust against Broadcasting's real property, will be refinanced by TRC when such indebtedness falls due in 1991.

7. Management Agreements. As promptly as is practicable following the execution of this Agreement, Broadcasting and TRC will enter into an agreement, pursuant to which TRC will operate and manage TV 42, and Church and TRC will enter into an agreement pursuant to which TRC will operate and manage TV 65.

8. Retention of FCC Operating Licenses. The FCC operating license for TV 42 shall be retained, unencumbered, by Broadcasting (or by Communications, if the license should be transferred to Communications, pursuant to subparagraph 4.d of this Agreement), and the FCC operating license for TV 65 shall be retained, unencumbered, by Church until such time, if ever, as either or both shall be transferred pursuant to applicable provisions of this Agreement or the unanimous vote of the

directors of TRC.

9. <u>Sale of One Television Channel</u>. a. If the directors of TRC should at any time determine, by unanimous vote that either TV 42 or TV 65, but not both, should be sold, TRC and the owner of the FCC operating license for the station to be sold will jointly exert their best efforts to sell the FCC operating license for such station together with all property used in the operation of such station expeditiously for such price as the directors of TRC shall determine to be fair and reasonable.

b. If either TV 42 or TV 65 should be sold pursuant to subparagraph a above, the portion of the net proceeds of such sale received by the selling licensee shall be contributed to the capital of TRC, and the entire net proceeds of such sale shall be applied first to payment of all indebtedness of TRC, including, without limitation, (1) the then remainder of the indebtedness to Pacific Western Bank that was initially incurred by TRC pursuant to subparagraph 6.a of this Agreement, and (2) the then remainder of the indebtedness to Pacific Western Bank and Donald Thomson that was initially incurred by Church in connection with its acquisition of TV 65. The balance of the net proceeds of such sale remaining after payment of such indebtedness will be retained by TRC as working capital.

c. If, after TV 42 or TV 65 shall have been sold pursuant to subparagraph a above, the remaining station should be sold pursuant to subparagraph a above with both the FCC operating license for such station and related property owned by TRC being sold pursuant to a single contract, the purchase price therefor shall be allocated between the selling licensee and TRC as it is allocated between the FCC operating license and such related property in the contract pursuant to which such license and related property are sold. The net proceeds of the sale of such station shall, to the extent received by TRC, be applied to payment of TRC's then remaining indebtedness, if any. If TRC's indebtedness should exceed the portion of the net proceeds of the sale of such station that is received by TRC, so much of the portion of the net proceeds of such sale received by the selling licensee as shall be necessary to discharge fully any remaining indebtedness of TRC shall be contributed to the capital of TRC by the selling licensee and applied by TRC to the discharge of its remaining indebtedness. Immediately thereafter, one-half the portion of the net proceeds of the sale of the second station sold pursuant to subparagraph a above received by the selling licensee which remain after payment of all indebtedness of TRC will be paid by the selling licensee to the licensee of the first station to be sold pursuant to subparagraph a above, provided the licensee of the first station to be sold is still operational as a religious nonprofit entity with current federal tax exempt status.

10. Unilateral Dissolution of the Network. a. If at any time after July 31, 1991 either Church or Communications should unilaterally determine that the network is not fulfilling such member's expectations and, therefore, should be disbanded, such

member shall communicate such determination to the other member of TRC, and TV 42 and TV 65 shall be offered for sale and sold, as expeditiously as is practicable, as a network, if that is feasible, and as separate stations, if it should not be feasible to sell them as a network.

b. If, pursuant to subparagraph a above, the television stations comprising the network established hereby should be sold as a network, the net proceeds of the sale of the network shall first be applied to the discharge of all then outstanding indebtedness of TRC including, without limitation, (1) the then remainder of the indebtedness to Pacific Western Bank that was initially incurred by TRC pursuant to subparagraph 6.a of this Agreement, and (2) the then remainder of the indebtedness to Pacific Western Bank and Donald Thomson that was initially incurred by Church in connection with its acquisition of TV 65, and the remaining balance shall be allocated in equal shares between Church and Communications, without regard for the manner in which the price for the network may be allocated among TRC and the selling licensees under the contract or contracts pursuant to which the network shall be sold.

c. If, pursuant to subparagraph a above, TV 42 and TV 65 should be sold separately, TRC and the owner of the FCC operating license for each station will jointly exert their best efforts to sell such station expeditiously for such fair and reasonable price as shall be determined by the selling licensee.

[redacted]

property belonging to Church which presently comprises Religious Channel's broadcasting studio), broadcasting equipment and other property associated with each television station will be sold together with the FCC operating license with which it is associated. Property that is not sold together with the license with which it is associated and property not associated with a particular license will be liquidated by TRC in an orderly fashion, and, to the extent that it is able to do so, TRC will pay all of its indebtedness out of the net proceeds of the sale of such property. If the net proceeds of sale which accrue to TRC directly should be inadequate to pay all of TRC's indebtedness, TRC's remaining indebtedness shall be paid out of the proceeds of sale which accrue directly to the selling licensees, as hereinafter provided.

(1) If TV 42 and TV 65 should be sold separately but simultaneously, each selling licensee will contribute to the capital of TRC, one-half of such amount as shall be needed to discharge all of TRC's then remaining indebtedness. At the same time, the licensee that has realized the greater net proceeds from the sale of its license will pay to the other licensee such sum as shall be necessary to equalize the net proceeds realized by the licensees from the sale of the their respective licenses.

(2) If TV 42 and TV 65 should be sold separately but not simultaneously, the portion of the net proceeds of the sale of the first station to be sold received by the selling licensee shall be contributed to the capital of TRC, and the entire net

proceeds of such sale shall be applied first to payment of all indebtedness of TRC, including without limitation, (i) the then remainder of the indebtedness to Pacific Western Bank that was initially incurred by TRC pursuant to subparagraph 6.a of this Agreement, and (ii) the then remainder of the indebtedness to Pacific Western Bank and Donald Thomson that was initially incurred by Church in connection with its acquisition of TV 65. The balance of the net proceeds of such sale remaining after payment of such indebtedness will be retained by TRC as working capital.

(3) If, after TV 42 or TV 65 shall have been sold, the remaining station should be sold with both the FCC operating license for such station and related property owned by TRC being sold pursuant to a single contract, the purchase price therefor shall be allocated between the selling licensee and TRC as it is allocated between the FCC operating license and such related property in the contract pursuant to which such license and related property are sold. The net proceeds of the sale of such station shall, to the extent received by TRC, be applied to payment of TRC's then remaining indebtedness, if any. If TRC's indebtedness should exceed the portion of the net proceeds of the sale of such station that is received by TRC, so much of the portion of the net proceeds of such sale received by the selling licensee as shall be necessary to discharge fully any remaining indebtedness of TRC shall be contributed to the capital of TRC by the selling licensee and applied by TRC to the discharge of

its remaining indebtedness. Immediately thereafter, one-half the portion of the net proceeds of the sale of the second station sold received by the selling licensee which remains after payment of all indebtedness of TRC will be paid by the selling licensee to the licensee of the first station to be sold, provided the licensee of the first station to be sold is still operational as a religious nonprofit entity with current tax exempt status.

11. Insolvency. If TRC should become unable to meet its obligations as they fall due, the television stations then comprising the network established hereby shall be offered for sale and sold as expeditiously as is practicable, as a network, if that is feasible, and as separate stations if it should not be feasible to sell them as a network. Sale of the network pursuant to the foregoing provision shall be carried out in accordance with the provisions of subparagraphs 10.b and 10.c of this Agreement.

12. Liquidation of Remaining Assets. If the FCC operating licenses for both TV 42 and TV 65 should be sold pursuant to the provisions of this Agreement, and TRC shall not then own any FCC license to operate any other television station or be contractually obligated to manage or operate any other television station for the licensee thereof, all remaining assets of TRC shall be liquidated, such business of TRC, if any, as remains shall be wound up, any remaining debts of TRC paid, and any remaining assets of TRC, distributed, consistent with TRC's